STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE OF DELAWARE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT HOSPITAL CARE

Reimbursement Principle

Effective for discharges on or after July 1, 1994, the Delaware Medicaid program will reimburse all acute care hospitals at prospective per discharge rates.

The prospective rates are set by accommodation type. Reimbursement rates have been set for two accommodation types: general services and nursery services. For each of these accommodation types, there are three components to the payment: operating payment per discharge, capital payment per discharge and medical education payment per discharge.

Rate Setting Method - Operating Payment

The base year is the Delaware hospitals' 1992 fiscal year. The operating payment per discharge for the base year was calculated by applying a cost-to-charge ratio to allowed charges from the Medicaid claims data. This allowed cost value was then divided by the total discharges to obtain the operating payment per discharge.

The cost-to-charge ratio was identified from FY92 hospital cost reports; the categories of cost included in the cost-to-charge ratio are those related to routine services (including hospital-based physicians' costs and malpractice costs) and ancillary services.

The allowed charge data was taken from the FY92 Medicaid claims data for Delaware hospitals. Medicaid allowable hospital-specific charges associated with inpatient revenue codes appropriate to the accommodation type were identified. The hospital-specific cost-to-charge ratio was applied to the allowed charges to obtain total hospital-specific allowed costs for the accommodation type.

The total hospital-specific allowed costs for the accommodation type were then divided by the total number of discharges on the claims data for the accommodation type to obtain the hospital-specific operating payment per discharge in the base year.

STATE OF DELAWARE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT PSYCHIATRIC HOSPITAL CARE

Psychiatric Hospital reimbursement is a prospectively set per diem rate based on annually reported costs, not to exceed the Medicare rate for the same service. The rates are calculated by determining the previous year's total allowable cost (as defined by HIM-15) divided by the total number of patient bed days. The rates are recalculated annually for the reimbursement year (October 1 through September 30) and inflated using the inflation indices described in ATTACHMENT 4.19-D, Section I.3, which is obtained annually from the Department of Economics of the University of Delaware.

Disproportionate Share Payments - Psychiatric Hospitals

Psychiatric hospitals which serve a disproportionate share of low-income patients are eligible for a disproportionate payment adjustment when sixty percent (60%) or more of service revenue is attributable to any combination of the following:

- public funds, excluding Medicare and Medicaid
- bad debts
- free care

All psychiatric hospitals which meet the criteria will receive payment based at the rate of 90% of uncompensated care. Uncompensated care shall be calculated quarterly and disproportionate share payments authorized at the end of each quarter.

The psychiatric hospital definition meets the exception under 1923(d)(2) of the Social Security Act.

Outlier payments under Section 302(b) of the Medicare Catastrophic Coverage Act are not applicable to this class of provider.

Total payments under this plan will not exceed the Federally published Disproportionate Share Hospital allotment.

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The allowed charge data was taken from the FY92 Medicaid claims data for Delaware hospitals. Medicaid allowable hospital-specific charges associated with inpatient revenue codes appropriate to the accommodation type were identified. The hospital-specific cost-to-charge ratio was applied to the allowed charges to obtain total hospital-specific allowed costs for the accommodation type.

The total hospital-specific allowed costs for the accommodation type were then divided by the total number of discharges on the claims data for the accommodation type to obtain the hospital-specific operating payment per discharge in the base year.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT HOSPITAL CARE (Continued)

Rate Setting Method - Capital Payment Per Discharge

For the capital payment per discharge, a hospital-specific prospective rate was calculated for each accommodation type based on a blended percentage of total costs for each hospital represented by capital. A hospital-specific capital percentage was calculated by dividing total allowable capital costs for the hospital by total allowable costs for the facility as reported on each facility's FY92 cost report. A Statewide capital percentage was calculated by dividing total allowable capital costs for all Delaware hospitals by total allowable costs for all hospitals as reported on the cost report. The blended percentage is calculated by taking 75 percent of the hospital-specific capital percentage and 25 percent of the Statewide capital percentage. This blended percentage is then applied to the hospital operating rate per discharge to obtain the hospital capital per discharge rate.

Rate Setting Method - Medical Education Payment Per Discharge

For the medical education payment per discharge, a hospital-specific prospective rate was calculated for each accommodation type based on the percentage of total costs for each hospital represented by medical education costs. A hospital-specific medical education percentage was calculated by dividing total medical education allowable costs for the hospital by allowable total costs for the facility as reported on each facility's FY92 cost report. This hospital-specific percentage is then applied to the hospital operating rate per discharge to obtain the hospital medical education per discharge rate.

Rate Setting Method - Development of Implementation Year Operating Rates, Updates and Rebasing

The new inpatient rates will be implemented effective State FY95. The hospital-specific operating payments per discharge have been established for the implementation year by inflating the hospital-specific base year costs using the TEFRA target rate of increase limits published by HCFA. Base year costs were inflated from the midpoint of each hospitals' base year to the midpoint in State fiscal year 1995.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT HOSPITAL CARE (Continued)

Rate Setting Method - Development of Implementation Year Operating Rates, Updates and Rebasing (Continued)

The implementation year rates will be updated in FY96 using published TEFRA inflation indices. Rates will be rebased using fiscal year 1994 claims and cost report data for implementation in State FY97, and every three years thereafter.

Other Related Inpatient Reimbursement Policies

Outliers - High cost Medicaid cases will be identified and reimbursed. High cost outliers will be identified when the cost of the discharge exceeds the threshold of three times the hospital operating rate per discharge. Outlier cases will be reimbursed at the discharge rate plus 79 percent of the difference between the outlier threshold and the total cost of the case. Costs of the case will be determined by applying the hospital-specific cost to charge ratio to the allowed charges reported on the claim for the discharge.

Cases with long length of stay (LOS) - There will be no interim payment for cases with an exceptionally long LOS. The hospital will submit a single claim for the discharge.

Transplants - Transplant cases will be treated as outliers and, when appropriate, will be subject to the outlier payment policy. Organ acquisition costs will not be reimbursed separately, but will be included in the per discharge rate.

Transfers/readmissions - There will be no distinct payment policy for transfers/ readmissions between hospitals. These cases will be paid on a per discharge basis. The PRO will conduct a periodic review to monitor these types of cases and determine that discharges are appropriate.

Split bills - For in-State cases and Out-of-State hospitals receiving per diem payment that span FY94 and FY95, the cost associated with the days in FY94 will be reimbursed using the current methodology. The full per-discharge rate will be paid for the days of care in FY95. Out of State hospitals who already use DRGs or a per discharge methodology will be paid the per discharge rate for all discharges on or after July 1, 1994.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT HOSPITAL CARE (Continued)

Out-of-State Hospitals

The operating, capital and medical education rates for acute care hospitals located outside of Delaware will be paid at the lowest Delaware rate for the hospital category to which they are assigned. Three categories of Delaware hospitals have been identified: urban, rural and major teaching. Out of state teaching hospitals are defined as those facilities which are members of the Council of Teaching Hospitals. Out of state urban hospitals are defined as non-teaching hospitals located in a metropolitan statistical area (MSA) as identified by the U.S. Bureau of Census. Out of state rural hospitals are defined as non-teaching hospitals located outside a metropolitan statistical area "MSA" as defined by the U.S. Bureau of Census. Out-of -State specialty/rehab hospitals will be paid at the Medicaid rate established by the State in which they are located.

Disproportionate Share Hospital Payments

In accordance with the provisions of Section 1923(b)(1)(A)(B) of the Social Security Act, the Delaware Medicaid Program will determine whether a hospital qualifies as "serving a disproportionate share of the poor".

Medicaid defines uncompensated care as the cost of services to Medicaid patients, less the amount paid by the State under the non-disproportionate share hospital payment provisions of the State Plan. The cost of services to uninsured patients (those who have no health insurance or source of third party payments) less the amount of payments made by these patients is included in the definition of uncompensated care. Any hospital meeting the definition of a disproportionate share hospital will receive payments in accordance with Section 1923 (c)(3). Hospitals meeting the standard are entitled to receive payments of ninety percent (90%) of its uncompensated care amount.

Medicaid requires that the 1923(d)(3) provision of the Act be met, which states that any disproportionate share hospital have a Medicaid utilization rate of a least one percent (1%).

With the exceptions noted in 1923(d)(2)(A), Medicaid also requires that the 1923(d) provision of the Act be met, which states that any disproportionate share hospital have at least two (2) obstetricians who have staff priviliges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services under the State Plan.

Medicaid requires that the payment adjustments received by all disproportionate share hospitals not exceed, in the aggregate, the established limits each Federal fiscal year as expressed in Section (f) of the Act as published annually in the HCFA Federal Register. Medicaid also requires that the payment adjustments made to individual hospitals not exceed one hundred percent (100%) of their established limits for the State fiscal year as expressed in Section 1923(g) of the Act.

Hospitals With New Programs/Services

For hospitals who begin a new medical education program for which there is no historical cost or claims data, the medical education payment will be paid at the average percentage for the Delaware teaching hospital category to which they are assigned. There are two categories of Delaware hospitals with regard to teaching: major teaching hospitals are defined as those facilities which are members of the Council of Teaching Hospitals. Minor teaching hospitals are all other hospitals in the state with a medical education program recognized by the Delaware Medicaid program.

Hospitals with other categories of new services can appeal their reimbursement rates using the appeals process.

A.I. duPONT INSTITUTE OF THE NEMOURS FOUNDATION

Reimbursement Principle

Effective for discharges on or after January 1, 1995 the Medicaid Program will reimburse A.I. duPont Institute on the basis of prospective per discharge rates. Costs determined for A.I. duPont are hospital-specific but otherwise determined using the same methodology as the other acute care hospitals.

A.I. duPont's per discharge rate will be discounted by the Institute through agreement with the Medicaid agency, not to exceed the rate established for comparable care in Delaware's other large teaching hospital. Rebasing and indexing of A.I. duPont's costs will be done on the same schedule as the other in-State acute care hospitals but specific to their fiscal year.